The American Political Science Review

Vol. VI | MAY, 1912 | No. 2

GOVERNMENTAL REGULATION OF INSURANCE IN CANADA

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On the first of January, 1910, the total amount of life insurance in force in Canada, exculsive of that on the assessment plan, amounted to over 780 millions of dollars. Of this, all, excepting a little less than 68 millions of industrial insurance, represented what we may properly style as ordinary or old line business. The policies to the number of upwards of a million were distributed between 53 different companies of which 23 were Canadian, 16 American, and 14 British. The British companies carried risks amounting in the aggregate to less than 47 millions and they seemed to be, on the whole, inactive in the matter of securing new business. In 1909, 8 of the 14 British companies carrying risks in Canada wrote no new Canadian business at all. On the other hand, the American companies make a much better showing; the sum total of their policies was nearly 218 millions of dollars, of which approximately one-fifth represented industrial insurance. The rest of the business, amounting to over 515 millions, was carried by the Canadian companies themselves. From these figures, it is evident that the home companies are now strongly entrenched within

their own field. A comparison of the present situation with that of thirty years ago would show that the risks of the Canadian companies have increased much more rapidly than have those of their American rivals. In 1879, the amount of the policies of each in force in Canada was less than thirty-four millions. In the noteworthy expansion of life insurance which has since taken place, a number of causes have combined to swell the aggregate business of the Canadian companies. Not the least important factor here to be considered is that of sentiment—a desire to develop Canada for the Canadians and to promote and foster home enterprises. Moreover, on the more popular forms of policies, the premium rates offered by the home companies have been, as a rule, lower than those of their neighbors across the border.

In Canada, both the Federal government and the governments of the various provinces may incorporate companies with authority to carry on insurance. The British and American companies doing business in Canada are required to take out a license which is obtained from the Department of Insurance. In fact, every company, Canadian or foreign, must submit to this requirement and make a deposit of $50,000 in approved securities. Any company incorporated by the parliament of Canada is entitled to carry on business in each and every province if it so desires, although the various provincial legislatures may, and in fact do, subject the companies to certain legal requirements, of which the payment of a corporation tax for the privilege of doing business is the most important. In theory at least, a company chartered by any particular provincial legislature must confine its operations to that single province, but it would appear that that provision is coming to be evaded to a considerable degree. The rather delicate matter of governmental jurisdiction as between the Federal government and the provinces is by no means clearly defined as some have been foolish enough to imagine was the case, and the tendency seems to be towards greater confusion rather than towards concurrent and uniform legislation. A recent writer has summed up the whole situation, very correctly, as follows: "Looking the

broad field over, it would appear as though the prejudicial influences of divergent insurance legislation and supervision in Canada are increasing. Public welfare, as well as fairness to all carefully conducted native and foreign companies doing business under the Dominion Act, demand the most careful consideration of this whole matter. Greater uniformity must somehow be secured, if public and business interests are to be conserved. Otherwise, conditions may tend more and more towards what President Kingsley of the New York Life characterizes as the 'inevitable chaos' which, in the United States, has followed upon the attempt to supervise the business of insurance by forty-six different authorities."[1] If Canada is to profit as she should by the sad experience of the United States in the matter of governmental regulation of insurance, there will be little delay in settling whatever differences already exist between the various jurisdictions concerned. It is fair to say that there should be either only one system for chartering and licensing insurance companies in Canada, or it should not be made easier to secure a charter from the provincial legislatures than from the Dominion parliament. At any rate, the various governments should get together and, in so far as possible, minimize if not entirely do away with the disparity in regulation and supervision.[2]

With reference to the latter, it is not too much to say that, judged by American standards (which by no means are to be regarded as models), the insurance business in Canada is not over-supervised. In the United States, one of the most serious problems confronting the management of the large insurance companies is that of adjustment to the ever-changing and often conflicting laws of nearly fifty different states. This problem is made all the more difficult to handle from the fact that there is, on the whole, lack of uniformity in state laws. Were the insurance business confined to one state, as it was in its beginnings, it would be a comparatively simple matter for the com-

[1] See *The Chronicle*, Banking, Insurance and Finance (Montreal), February 26th, 1909.

[2] See *The Chronicle*, Banking, Insurance and Finance, May 21st, 1909.

panies to adjust themselves to the laws, provided they were tolerably stable. But, as conditions actually exist today, with companies attempting to carry on their business of serving the public in dozens of different states, each having its own peculiar code of insurance laws, the problems confronting the insurance companies are of a really serious nature. It has been proposed at different times and on numerous occasions to free the insurance companies from their present perplexities by placing all interstate insurance under the control of the Federal government. The practical difficulties in carrying out this programme are too well-known to require consideration here. It is enough to say that Federal supervision, if it could be brought about, would be welcomed by many different interests. Federal control is by no means merely a theory—it has been practiced with a large measure of success in other countries of which Canada furnishes an interesting example. A very considerable revision and extension of the Dominion statute respecting insurance has recently been made; and on January 1st, 1911, such portions of the new law as did not at once become effective with the final passage of the act in May, 1910, came into operation. The nature of this statute, particularly as it relates to life insurance, the principal changes which it introduced, and the circumstances leading up to these changes will now be examined.

The movement for a revision of the Federal statute respecting insurance may be traced back to the memorable disclosures made in 1905 by the joint committee of the Senate and Assembly of the State of New York, whose published report is commonly referred to as the Armstrong Report. It was only natural that the findings of this committee should provoke considerable uneasiness among policyholders and others as to the actual conditions of Canadian life insurance companies. Moreover, some of the American companies which were brought into the limelight to their considerable disadvantage by the New York investigation were doing a substantial business in Canada. Accordingly, in response to a widespread public demand for something to be done to get more light on the subject of life insurance methods in Canada, and to restore public confidence

in the business, a Royal Commission on life insurance was appointed in accordance with an order of the Governor General in council on the last day of February, 1906. The commissioners were directed to inquire into the general subject of life insurance and of life insurance systems in Canada; the operations of the various companies chartered by the parliament of Canada, or by any province and licensed under the Federal insurance act, which were actually engaged in transacting business in the Dominion; the workings of the laws of the Canadian parliament relating to life insurance as actually carried on by home and foreign companies; and to consider and report upon any amendments to the laws which in their opinion were desirable. The commission was further empowered to employ expert assistance, and to summon witnesses who might be required to produce such books and papers as seemed necessary for a full investigation.[3]

The inquiry of the Royal Commission extended over a period of nearly a year, its report being submitted to the Governor General on the 22d of February, 1907. A searching examination was made of the twenty-seven old line companies and fraternal societies which had been chartered either by the Federal or by a provincial government, and which were then transacting life insurance in Canada. Respecting the British companies which came within the scope of the commission's inquiry, the principal information was obtained either directly from British actuaries and insurance managers or from an examination of the report of a committee of the House of Lords which, in 1906, had conducted an investigation respecting certain aspects of the insurance business. With reference to United States companies operating in Canada, the commission considered, among other data, the report of the New York investigating committee already referred to; the report of a commission which was made to the Governor of Massachusetts in June, 1906, on the recodifying of the insurance laws of that state; the report of "the committee of fifteen"; and the reports of committees investigating the insurance business in the States of Wisconsin and

[3] Report of the *Royal Commission on Life Insurance*, Ottawa, 1907, p. 1.

Indiana.[4] The information respecting Canadian companies was obtained in various ways. The commission held public hearings in the cities of Ottawa, Toronto, and elsewhere, at which a number of the leading insurance officials were among those who gave testimony. The Canadian Life Officers' Association submitted a carefully prepared memorial embodying its suggestions and recommendations respecting desirable insurance legislation. Of these, some observations will be made in another connection.[5] A circular letter was addressed to the various companies concerned asking for a great amount of data which involved an enormous expenditure of time and labor in the offices of the companies; in some cases returns were demanded covering transactions reaching back over a period of fifteen years. For these and other movements which were styled in some quarters as a "fishing expedition," the commission, for a while at least, was subjected to a volley of adverse criticism and newspaper caricaturing; besides, a certain section of the press lost no opportunity to paint in its inimitable style the largely imaginary short-comings or wrong-doings of the companies as they passed in succession before the public view. As might be expected, some abuses and irregularities were found, chiefly in the investment of funds; many sins which the companies were supposed to have committed were found not to have been committed at all. Moreover, it does not appear that the practice of such irregularities as were unearthed resulted in actual loss to the policyholders; on the contrary, there seems to have been, on the whole, financial profit from which the policyholders stood to gain.[6] This fact is no justification, however, for the unwarranted violations of the trust imposed upon the companies as guardians of the funds of the insured; besides, repetitions of irregular investments might,

[4] See the Report of the *Royal Commission on Life Insurance*, p. 6.

[5] For the text of this memorial, see *The Chronicle*, Insurance and Finance, November 16th, 1906.

[6] See *The Chronicle*, Insurance and Finance, March 8th, 1907; also an address by Honorable George Ross, delivered before the National Association of Life Underwriters, Detroit, September 10th, 1910, published in *The Bulletin*, Toronto, October 1st, 1910.

and probably would, result in the ultimate disadvantage of the policyholders.

The recommendations of the Royal Commission were embodied in a so-called "draft bill" with accompanying schedules, together totalling seventy-five pages, which was submitted with its report. At this time the public mind was in a state of hostility towards the insurance companies. But in view of the fact that no actual scandals were unearthed, and that such irregularities as were found to exist were not of nearly as serious a nature as those which had been reported by the New York investigating committee in 1906, it was expected that the commission's report would be moderately conservative, and that no sweeping changes in the law would be recommended. Such, however, was not the case. Some of the clauses in the draft bill looked towards much-needed reforms; others were regarded in insurance circles, and justly so, as extremely odious and drastic, especially those sections which followed the New York law almost *verbatim*. The appearance of the draft bill produced a disturbance of no mean proportions among the high officials of most of the Canadian companies.[7] Among other things, it was claimed that the commissioners had been unduly influenced by the New York investigation; that they should have sought wider actuarial advice than they had availed themselves of; and that the advantages of certain "borrowed" sections of the Armstrong law should be demonstrated by their actual beneficial workings before they should be recommended for adoption in Canada. A full discussion of the various changes recommended would require more space than is available here, although the main points will be considered later in connection with the new insurance law which finally was passed by parliament and which, as already stated, has recently become effective. In the meantime, however, some interesting developments were to take place.

With the report and draft bill of the Royal Commission before it, the not easy task devolved upon the administration of bringing before parliament a suitable measure looking

[7] See *The Chronicle*, Banking, Insurance and Finance, May 13th, 1910.

towards the amendment of the Insurance Act. Accordingly, a bill was prepared which, in December, 1907, was introduced into the House of Commons by the then Finance Minister, Honorable W. S. Fielding. This bill differed materially from its predecessor. In the first place it was decidedly more comprehensive for it covered the whole field of insurance, whereas the draft bill dealt with life insurance only. Again, the measure was far less drastic, and was considerably shorn of objectionable features so that its appearance provoked less alarm and adverse criticism than did the Royal Commission's bill. Moreover, it was generally understood that the administration measure was not to be regarded as a final draft, to be railroaded through parliament without ample opportunity for amendment, but that a fair and even chance would be afforded to all to present their views while the bill was in the hands of the Banking and Commerce committee. Largely for these reasons, the new measure met with considerable favor even in insurance circles. The elimination of some of those features which had been borrowed from the New York law was a commendable and perhaps strategic move on the part of the government, although common sense would naturally have prompted such action. It is unnecessary at this point to enter into a detailed discussion and comparison of the two bills for reference will be made presently to the more important features of both in connection with an analysis of the measure which eventually became law.[8]

It was not until after four sessions of parliament that the administration measure was finally whipped into shape. When the bill was laid before parliament in 1907, no discussion was requested—it was simply desired that the measure might be brought to the attention of the public. The following year it was given considerable attention as shown by numerous delegations, representing a great diversity of interests, which appeared before the committee on Banking and Commerce of the

[8] An excellent summary of the Administration Bill, and a comparative synopsis of the old Insurance Act, the Life Officers' Memorial to the Royal Commission, and the Commissioners' Draft Bill may be found in *The Chronicle*, Banking, Insurance and Finance, December 27th, 1907.

House of Commons to urge their views on the impending insurance legislation. In response to a general invitation for written statements relative to the bill, the committee received a generous supply of communications. Every effort seems to have been made to digest the enormous amount of data, and it was not until 1909 that the bill finally emerged from committee, passed the House of Commons, and was sent to the Senate—too late, however, for passage in 1909. The following year it was introduced in the Senate and, after considerable treatment at the hands of the committee on Banking and Commerce, the somewhat modified bill was passed and returned to the Commons. And, finally, on the 4th of May, 1910, it was assented to by His Excellency, the Governor General. An examination of some of the more important general features of the law and such provisions as relate to life insurance in particular will now be undertaken.

The business of administering the provisions of the Federal insurance law is carried on through the Department of Insurance (created by the Act of 1910) at the head of which is an officer styled the superintendent. The latter is appointed by the governor in council and his rank is that of a deputy head of a department; the salary is not to exceed $5,000 per year. The superintendent of insurance is responsible to the Minister of Finance to whom he is required to report from time to time. The expenses of the department for any particular year are defrayed by an assessment upon all the companies operating under the Federal act, in proportion to the gross premiums received by such companies on Canadian business during the previous year.[9]

The duties of the superintendent are varied, of which the following are important. He is required to keep a record of the licenses as issued to companies, and assure himself that the requirements of the law respecting the issuance of licenses are complied with. These are rather stringent and only one or two will be mentioned here. For example, a license may not be granted to a company to carry on life insurance in combina-

[9] The *Insurance Act*, 1910, para. 47.

tion with any other branch of the business. Also, any life or fire insurance company must deposit with the Minister of Finance approved securities to the sum of $50,000 before it may receive a license. The interest upon such securities as it falls due is payable to the particular company concerned. Again, the superintendent or a duly qualified member of his staff is required to visit the head office of each company in Canada at least once a year for the purpose of examining "carefully" the statements of the business affairs of the companies, and render a detailed annual report to the Minister of Finance. If the latter considers it advisable to inquire further into the affairs of any particular company, he may instruct the superintendent to visit its chief agency, inspect its books, and examine under oath any officer or agent of the company upon matters relative to any features of its business. In case it seems desirable to examine into the general conditions and affairs of a foreign company doing business in Canada, the superintendent may visit the head office for this purpose. Refusal to give the desired information or to submit to examination may be followed by the cancellation of the company's license. It is the further duty of the superintendent to make a valuation, based upon a carefully specified plan, at least once in every five years, of all the life insurance policies which come under the provisions of the Federal act.

From the standpoint of both the insured and the company, the conditions of the policy contract are matters of vital importance. In the old law which prevailed before the passage of the Act of 1910 (being chapter 34 of the Revised Statutes of Canada, 1906), the principal provisions were that policy conditions should be stated in full in the contract, and that misstatements in the application, unless "material to the contract," should not void the policy. When the draft bill of the Royal Commission appeared, there were provisions made for standard policy forms of which four were prescribed. These were the well-known ordinary whole life policy, the limited payment life policy, the endowment, and term policy. The Canadian Life Officers' Association, in their memorial to the commission

referred to above, urged the inclusion in the policy contracts of statements of non-forfeiture and surrender privileges, and opposed the idea of standard policy forms on the ground that the insuring public stood to gain by leaving the form of policy open to the competition of the various companies.

The framers of the administration bill very wisely did not follow the proposals of the Royal Commission as to standard policy forms, but they inserted a number of standard provisions, many of which were already included in the policy contracts of the leading Canadian companies, and were finally adopted in the law of 1910. Accordingly, it is now definitely provided that the policy shall be considered to contain the whole contract between the parties concerned, and that no provisions shall be incorporated in the policy by reference to rules, by-laws, application, or any other writing unless they are endorsed upon or attached to the policy when issued. The latter must contain, in substance, the following additional provisions which of necessity are here stated briefly: thirty days of grace are allowed to the insured for the payment of any premium other than that of the first year; the insured may, without first obtaining the consent of the company, engage in the active service of the militia of Canada on the condition of notifying the company of his actual engagement for such service and by paying an extra premium; all policies are incontestible after two years except for fraud, non-payment of premium, and certain other actions; if the age of the insured is understated, the amount payable under the policy is such as the premium would have purchased at the correct age; a statement as to the options of surrender value, paid-up or extended insurance to which the insured is entitled in case he defaults in the payment of a premium after three full years' premiums have been paid; the loan privilege, on the security of a policy, available to a policyholder who has paid three years' premiums, which is to the effect that he may borrow from the company, at a rate of interest not to exceed seven per cent per annum, up to ninety-five per cent of the surrender value of the policy; and the right to have a policy reinstated, under certain conditions, any time

within two years from the date of lapse. Of course there are other minor provisions which it is not necessary to mention here. These all combine to protect the interests of the policy-holders while, at the same time, the companies are not hampered as they would have been had standard policy forms been forced upon them.

The vital question of the distribution of dividends to policy-holders occupies an important place in the new law, although hitherto there seem to have been no specific requirements laid down in the statute. The Life Officers' memorial urged the continuance of the time-honored custom, with a slight modification which would require the publication through the government of actual past results and estimates for the future. The draft bill of the Royal Commission went to the other extreme of making provisions for the ascertainment and distribution of surplus annually. In their report the commissioners recommended the actual prohibition of all insurance contracts which provided for a dividend distribution other than yearly.[10] This recommendation was considered by the government as going too far, however, and the outcome of all the deliberations on this matter was the inclusion of clauses in the new law whose provisions operate in the manner about to be stated. Participating policies may be issued which provide for the ascertainment and distribution of the accruing surplus at intervals not greater than quinquennially; besides, they may still be issued on the deferred dividend plan. In the latter case, however, the company must render an accounting of the surplus every five years, and such surplus is to be regarded as a liability of the company, and so shown in its accounts until it has actually been paid to the policyholders. The purpose of this provision of the law is to conserve the earned surplus and to make it impossible to divert it, temporarily or permanently, into other channels. At the option of the policyholder, the share of the surplus allotted may be taken out in cash, applied to the payment of premiums, or be used to purchase a paid-up addition to the policy.

[10] See the report of the *Royal Commission on Life Insurance*, p. 190.

It will be interesting to watch the effect of the new law, as it relates to dividends to policyholders, upon the kind of policies which will be most popular in the future. In recent years, a large percentage of the business of some companies, probably of many, has been written on the deferred dividend or accumulation plan, whereby no dividends were declared until the end of the accumulation period, which for a twenty payment life policy was twenty years. On account of the glowing prospects held out to the insuring public by unscrupulous agents in the past as to the profitable investment features of such policies, there is coming to be an increasingly large number of men who are dissatisfied with the settlements offered by honest companies as their deferred dividend contracts have matured. Such a state of affairs was inevitable for, in far too many cases, the actual cash value of the policy at the time of its maturity often falls short by hundreds of dollars of the amount represented by the agent. This cannot fail to prejudice the public against the so-called accumulation policy, and even against insurance as a really desirable form of "investment." The principal criticism of the deferred dividend contract is that there is too great a margin of uncertainty respecting the amount which the policy will actually be worth at the end of the accumulation period, provided the assured elects to take a cash settlement.

The new law makes a sweeping prohibition against the estimation of profits by providing that after the first of January, 1911, no life insurance company and none of its officers, directors, or agents "shall issue or circulate, or cause or permit to be issued or circulated in Canada any estimate, illustration or statement of the dividends or shares of surplus expected to be received in respect of any policy issued by it." This clause promises to put an end to the intentional or unintentional deception of policyholders on the part of a certain class of agents respecting that feature of the policy contract which deals with prospective dividends or profits.

Turning now to a consideration of rebating, it is hardly necessary to enter into a discussion of its evils for these are only too well-known, especially by those who have even a slight

knowledge of the practical operations of field work in the insurance business. It is always a difficult problem to measure the extent of the practice within any given territory, but it is believed that rebating had reached proportions in Canada so considerable as to be injurious to the business of life insurance. The Royal Commission assembled abundant evidence which tended to show that agents gave away a large share of their remuneration in rebates, and it was computed that the agents did not actually realize, on the average, more than 50 per cent of their commissions as set forth in their contracts with their respective companies.[11] The old law did not undertake to deal with this problem; the Canadian Life Officers' Association and other insurance organizations, the management of numerous companies, and others were desirous of the necessary legal enactment to check the evil. The draft bill of the Royal Commission undertook to deal with the problem in what was afterwards regarded as a most impracticable manner. It provided for the imposition of a fine of $1,000 upon the directors and managers of companies whose agents had paid or offered to pay to any person insuring a rebate of premium. The original administration bill entirely disregarded this proposition and drew up certain clauses dealing with rebating which, with slight alterations, were enacted into law. No direct or indirect rebating is now permitted, and a substantial penalty is imposed upon all offenders. For the first offense, a fine of double the amount of the annual premium on the policy in question may be imposed, and in no case is the penalty to be less than $100. For a second or subsequent offense, the penalty is double the amount of the premium with a minimum amount collectable of $250. It is further to be noted that a rebate under the present statute embraces not only the payment of a monetary consideration or a reduction in the amount of the premium, but it includes any benefit or privilege, that is held out as an inducement to insure, which is not extended by the company to all policyholders of the same class and equal expectation of life. Furthermore, the recipient of the rebate or special privilege as well as the giver are alike

[11] See the report of the *Royal Commission on Life Insurance*, p. 178.

subject to the penalties which have just been mentioned. But the application of the statute does not necessarily end here. In case it can be shown that any director or manager or other like official violates or sanctions the violation of the law concerning rebating, he is liable to a fine of $500. Moreover, no part of the penalty imposed in any case may be paid out of the funds of the company. These features of the new law, sweeping as they are, seem to be rather generally looked upon with favor. For some time past, the management of several of the best companies had endeavored to prohibit rebating on the part of their own agents, but it seems with only partial success. Naturally, such companies welcome a law involving a principle which they individually have labored to establish.

As was the case with the question of the distribution of dividends to policyholders, the old law, as it related to expenses, was largely negative in that it did not specifically place any restrictions upon the expenses that might be incurred in procuring new business, or in the management of the affairs of the company. As a consequence, it is hardly too much to say that the forcing of new business resulted, in many cases, in wasteful expenditure and extravagance. This statement is based not only upon personal observation and exchange of opinion with others who have remarked upon the question, but also upon the findings of the Royal Commission. It is stated in their report that the net premiums received in 1905 by twelve companies amounted to $2,699,915.68 of which the commissions alone which were actually paid to agents totalled $1,676,066.65. The average rate of commission, therefore, upon the total first year's premiums collected amounted to over 60 per cent. Of course a goodly percentage of this commission remained in the hands of the policyholders as rebates or allowances. But the enormous sum above mentioned did not constitute the total payment made by the companies to their agents as a reward for the new business. "Prizes, bonuses, rewards, allowances, salaries, and advances" to agents swelled the total cost to the twelve companies for their new business to

the handsome sum of $1,994,352.16. This was about 74 per cent of the total premiums for the first year.

It was believed by many that such a state of affairs was in need of immediate correction. The Canadian Life Officers' Association did not seem inclined to endorse any restrictive legislation in these regards, it being believed that publicity might be made an effective remedy for whatever evils really existed. The Royal Commission was of the opinion that both publicity and legal regulation were required and the commissioners' recommendations, in a somewhat amended form, were followed in the framing of the administration bill. In general, the main principles established by the commissioners were included later in the Act of 1910. It is now provided that officials at the head offices of the companies and all other officials excepting duly authorized agents who are employed to solicit insurance shall not receive a commission on any portion of the business of the company. Moreover, all compensations to agents, brokers, or associations for procuring new business, for collecting premiums, or for any other service must be determined in advance. Thus, it would appear that specially announced bonuses, prizes, and rewards which sometimes have been offered by certain companies as additional compensations, obtainable under certain specified conditions, are no longer permissible. Respecting the services of directors, they may not be paid for unless payment is authorized by a vote of the members in the case of a mutual company, or by vote of the shareholders and other members, if any, where the company has capital stock. No salary of more than $5,000 per year may be paid to any agent or employee without the approval of the board of directors; and no salary agreement may be made by any company with its officers or trustees for a period greater than five years.

Inasmuch as the accumulated funds of life insurance companies belong, in the last analysis, to the policyholders, they are, essentially, funds held in trust until payment must be made. It requires, therefore, no special demonstration to establish the fact that such funds should be invested in a high grade of securities from which the speculative element has been eliminated.

According to the old law, it was permissible for life insurance companies to invest their funds in a wide range of securities including, among others, those of the Canadian, British, and United States governments; the stock of any chartered bank in Canada; and the debentures, bonds, stocks, or other securities of a large number of specified classes of companies incorporated in Canada. Investment in the bonds or debentures of steam railway companies was limited to those of such companies as had earned and paid regular dividends upon the "ordinary preferred or guaranteed stocks for the two years next preceding the purchase of such bonds or debentures." The Royal Commission, in discussing in its report the then existing insurance law as it related to investments, drew attention to the fact that in modern financial practice the stocks of many public utility or industrial concerns were doubtful sources of investment for trust funds. Accordingly, in the draft bill, although the provisions of the existing law were followed in many particulars, investments in stocks were limited to those of chartered Canadian banks, or those of Canada, of any province of Canada, or of any municipal or public school corporation in Canada. Under the terms of the law which went into operation on the first of January, 1911, these recommendations were somewhat modified, but the law was framed so as to eliminate, as far as possible, speculative securities from the classes of investments which now may be made by life insurance companies. It is not necessary to catalogue here those which a company may now legally purchase. It goes without saying that those which may properly be designated as "gilt-edged" are not tabooed. A limit is placed upon the acquiring of preferred and common stocks which it may be well to mention. A company may invest in the preferred stock of a concern which has paid dividends regularly upon such stock or upon its common stock for not less than five years preceding the time of purchase. Furthermore, it is permissible to secure a certain amount of the common stock of a company in cases where regular dividends have been paid on the same for the seven years preceding the time of purchase. In certain other cases stocks may be

acquired. It is of interest to note that no company may invest in its own shares or in the shares of any other life insurance company. Of course some of the companies have on hand securities which can no longer be legally held, but a reasonable length of time is allowed for their disposal.

There are many other features of the new law, as it affects life insurance, which it would be necessary to consider if one were attempting to analyze it in detail. This is impossible, however, within the scope of a single paper. Yet enough has been said, perhaps, to impress the leading features of the statute, and to demonstrate the method of Federal supervision of insurance, in general, and of life insurance, in particular, in progressive Canada. It will be interesting to observe the workings of the new law, especially those parts which have introduced entirely new features into the business. On the whole the Act of 1910 is to be regarded as reasonable and sane. This is due, in part at least, to the careful consideration that was given to the representations of the insurance companies, of the agents and policyholders, and of the insuring public when the bill was before parliament. It should be a matter of considerable pride to Canadians that there was little or no lobbying in connection with the bill, nor was it made the football of politicians; both parties seemed to be willing to pull together in order to reach the desired goal of framing the best law possible.[12] In insurance circles, the new statute seems to be looked upon with considerable favor. The late Honorable George F. Seward, president of the Fidelity and Casualty Company of New York, in reporting as chairman of the executive committee of the Board of Casualty and Surety Underwriters, stated that "the insurance interests seem to be a unit in declaring the law to be reasonably satisfactory." The president of one of the leading Canadian life insurance companies regards some features as far more paternal than is necessary, yet, in saying that "it may be safely assumed that it will remain for many years in its present form without amendment," he surely bears testimony to its general excellence. The editors of the leading Canadian insurance and

[12] See *The Chronicle*, Banking, Insurance and Finance, May 11th, 1910.

financial journal (*The Chronicle*, Montreal), which is a well-recognized authority in matters of insurance, have pronounced the act to be "a reasonable and acceptable piece of legislation." Such words of commendation and others that could be given, coming from men of high standing in the insurance world, are sufficient to show that the insurance interests are reasonably satisfied with the new law which, from the standpoint also of the policyholders and the public in general, is a marked improvement over its predecessor.